

**TESTIMONY IN OPPOSITION TO SB 311
UTILITY CUSTOMER PROTECTION ACT**

**Greg Jergeson (406-444-6166)
Chairman, Montana PSC
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Mr. Chairman and Members of the Committee,

The Public Service Commission opposes SB 311, which would require NorthWestern Energy to purchase electricity and procure default supply resources at the "lowest known total cost."

If the intent of SB 311 is that the utility and/or the PSC must exclude from the decision-making process anything that is not known, the effect is to remove all consideration of risk. This would result in an incomplete and uninformed decision-making process and would increase the likelihood of wrong decisions.

As one example, it is not clear from SB 311 how the default supplier or the PSC should compare a bid which provides a known price for base load electricity for a period of 10 years and an alternative where the utility would lease the capacity of a base load coal plant at a known price for 20 years, but would be responsible for the actual cost of coal and operation and maintenance expenses over the contract period. The 10-year bid offers a fully known, all-in price for 10 years, but the cost of replacing the contract at the end of that period is not known. The lease option provides a fully known capacity cost for 20 years, but the cost of running the plant over that period is not known. Are these options off the table with SB 311 and the proposed amendments because the total cost of electricity over a 20 year period is not known? Are the utility and the PSC limited to basing decisions on what is known while ignoring what is not known, i.e., an incomplete comparison of a 10-year all-in cost to a 20-year capacity cost?

Two other problems with SB 311 identified by the PSC are: (1) it appears to require that the source of default electricity supply be a single, financially stable and creditworthy entity, which is inconsistent with the portfolio approach the PSC has adopted in its default supply planning and procurement rules; and, (2) the bill is premised on the idea that the Electric Utility Industry Restructuring and Customer Choice Act will remain in its current form, although the PSC is supporting several bills that would eliminate default supply service.

The PSC is concerned that the intent of SB 311 is not clear and that its language, if enacted, would be ambiguous and ripe for subjective interpretation. SB 311 would add confusion, not clarity, to an already difficult and often divisive long-term electric resource planning and acquisition process.

Thank you for the opportunity to comment.